

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Wesson Analyst: Jeani Brent Bill Number: AB 41

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 4/27/1999

Attorney: Pat Kusiak Sponsor:

SUBJECT: Allow Cash Bond Payments & Reserve Taxpayers' Right To Raise New Grounds/Employer Wages Paid To Qualified TV Or Movie Studio Employees

Credit

☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended April 5, 1999.

☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

☒ FURTHER AMENDMENTS NECESSARY.

☐ DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 5, 1999 STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

This bill would allow taxpayers to make a deposit in the nature of a "cash bond" to stop the running of interest and still preserve the taxpayer's right to raise new grounds disputing the validity of an assessment.

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would provide a credit equal to 30% of cost of training and employment of qualified employees, as defined, engaged in the production and/or distribution of motion pictures, videos, television programs, or commercials.

SUMMARY OF AMENDMENT

The April 27, 1999, amendments accepted the amendments to the employment and training tax credit provisions discussed in the department's analysis of the bill as amended April 5, 1999, including extending the credit to PITL taxpayers. In addition, the April 27, 1999, amendments added operative and repeal dates for the tax credit, provided that the employment and training tax credit would be in lieu of any other credit that may be allowed, and added a reporting requirement for the department. These amendments resolve the technical considerations and address several policy considerations discussed in the department's analysis of tax credit provisions in the bill as amended April 5, 1999.

The discussion of the cash bond provisions in the department's analysis of the bill as amended April 5, 1999, still applies. Except for the discussion above and the effective date and the policy, implementation, and technical considerations, the discussion of the tax credit provisions in the department's analysis of the bill as amended April 5, 1999, still applies. In addition, the following applies.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Department/Legislative Director

Date

EFFECTIVE DATE

The employment and training tax credit provisions would apply to taxable or income years beginning on or after January 1, 2000, and before January 1, 2006.

IMPLEMENTATION CONSIDERATIONS

This bill would provide an unlimited carryover of excess credit amounts. Credits with unlimited carryovers must be maintained on tax forms and systems even when the credit has expired. Since tax credits usually are used within eight years, most recently enacted credits contain limited carryover provisions, generally eight or ten years.

The bill requires the department to report annually by December 31 on the number and amount of allowed credits. Since taxpayers are eligible for the credit for income years beginning on or after January 1, 2000, most credits would not be claimed until tax returns are filed on March 15, 2001 or, on extended returns, October 15, 2001. The department could not report any meaningful information by December 31, 2000. Beginning the reporting requirement in June of 2002 should allow the department time to process late returns and collate the necessary information for the 2000 income year.

LEGISLATIVELY MANDATED REPORTS

This bill would require the department annually to report to both houses of the Legislature the number of employment and training tax credits allowed and the total dollar value of those credits.

REVENUE ESTIMATE

The revenue estimate in the department's prior analysis of the bill as amended April 5, 1999, was based on indications by the author's staff that the bill would be extended to PITL taxpayers. The revenue impact resulting from allowing the taxpayer to claim only one credit for the same expenses would be insignificant since the relevant credits which might have overlapped would have a minor impact on the movie/video production industry.

POSITION

Pending.

At its March 23, 1999, meeting the Franchise Tax Board voted 2-0 to take a neutral position on the cash bond provision of this bill as introduced December 7, 1998. The Board has not had an opportunity to review the recent amendments to the cash bond provision or the employment and training credit provision.